



OFFICIAL FILE

I.C.C. DOCKET NO. 00-0323

ILLINOIS COMMERCE COMMISSION

Exhibit No. 2

May 11, 2000

Witness

Date

PetitionReporter J. G.

BMC Energy, LLC

00-0323

Petition for a determination that an electric generating facility fueled by landfill methane and located adjacent to the EnvironTech Landfill in Morris, Illinois is a Qualified Solid Waste Energy Facility as defined in Section 8-403.1 of the Illinois Public Utilities Act.

Freddi L. Greenberg
Atty. for BMC Energy, LLC
1603 Orrington Ave., Ste. 1050
Evanston, IL 60201

Martin F. Laughlin
Vice President
BMC Energy, LLC
40 Tower Lane
Avon, CT 06001

Dear Sir/Madam:

Notice is hereby given that a hearing in the above entitled matter will be held at the offices of the Commission, Chicago, Illinois, State of Illinois Building, 160 North LaSalle, Suite C-800, on June 5, 2000, at the hour of 11:00 A.M.

Sincerely,

Donna M. Caton
Chief Clerk

SC

Hearing Examiner: Mr. Zaban
(312)814-6652

cc: Dave Nixon, Office of General Counsel, Illinois Commerce Commission,
State of Illinois Building, 160 N. LaSalle, Ste. C-800, Chicago, IL 60601-3104
David Farrell, Office of Public Affairs, Illinois Commerce Commission
527 E. Capitol, Springfield, IL 62701

Accounting
Mr. Griffin
Mr. Knepler

Mr. Bliler - Finance

COPY

ILLINOIS COMMERCE COMMISSION

No. 00-0323

CHIEF CLERK'S OFFICE
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1. BMC is a limited liability company organized under the laws of the State of Delaware and qualified to do business in the State of Illinois. Zahren Alternative Power Corporation ("ZAPCO"), a Delaware corporation, owns one hundred percent (100%) of BMC. ZAPCO is owned by multiple shareholders, none of whom owns more than forty percent (40%) of the company, and none of whom is a utility. BMC is in the process of acquiring all rights and interests in an electric generating facility fueled by landfill methane ("Facility") and located adjacent to the EnvironTech

Landfill in Morris, Illinois from Morris Genco, LLC ("Morris Genco"). The anticipated closing date will be during the second quarter of the year 2000.

2. On April 24, 1998, Morris Genco petitioned the Illinois Commerce Commission for a determination that the Facility is a QSWEF as defined in Section 8-403.1. The Commission entered its Order granting the Morris Genco Petition on October 7, 1998. (A copy of the 1998 Order is attached hereto as Attachment A). Concurrently with the filing of this Petition, Morris Genco, by and through its agent and managing member, Yankee Energy Services Company, filed its Motion in related Docket No. 98-0322 seeking rescission of the 1998 Order. (A copy of the Motion of Morris Genco to Rescind Illinois Commerce Commission Order is attached hereto as Attachment B.) Morris Genco seeks rescission of the 1998 Order, effective upon the determination by the Commission that the Facility will continue to be a QSWEF as defined by Section 8-403.1 subsequent to acquisition by BMC, and upon notice to the Commission of the completion of the transfer of all rights and interest in the Facility to BMC.

3. BMC now files this Petition to notify the Commission of the impending change in ownership of the Facility, and seeks a determination that the Facility will continue as a QSWEF as defined in Section 8-403.1 after the acquisition is completed.

4. Section 8-403.1 defines the term "Qualified Solid Waste Energy Facility" as a facility that (a) meets the definition of the term that is contained in the Local Solid Waste Disposal Act and (b) possesses characteristics that would enable it to qualify as a cogeneration or small power production facility under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Under the Local Solid Waste Disposal Act, a "Qualified Solid Waste Energy Facility" is either (a) "a solid waste pollution control facility" or (b) "a facility which uses methane gas generated from landfills."

(415 ILCS 10/1 et seq.) As described herein, the Facility will be a qualifying facility under PURPA and because it burns landfill methane, will meet the definition of a "Qualified Solid Waste Energy Facility" contained in the Local Solid Waste Disposal Act. Therefore, the Facility also will satisfy the criteria for qualification as a QSWEF under Section 8-403.1.

5. The Facility will be a qualifying facility under PURPA. To evidence that qualification, Morris Genco notified the Federal Energy Regulatory Commission ("FERC") of the Facility's qualifying status on April 21, 1998 in Docket No. QF98-55-000, pursuant to Section 292.207 of FERC's Rules of Practice and Procedure. That filing was part of the record in Docket No. 98-0322 and BMC requests that the Commission take administrative notice of that portion of the record in Docket No. 98-0322 for purposes of this proceeding. On March 16, 2000, BMC filed a Notice of Self-Recertification in Docket No. QF98-55-001 advising FERC of the upcoming change in the Facility's ownership and of BMC's intention to expand the Facility's capacity. A copy of that Form 556, Notice of Self-Recertification, stamped to indicate receipt by FERC, is included herewith as Exhibit ML-1 to Attachment C, the Direct Testimony of Martin F. Laughlin. On April 13, 2000, BMC filed a second Notice of Self-Recertification notifying FERC that Illinois Electrical Generation Partners, L.P. ("IEGP") will be the operator of the Facility. A copy of Form 556, Notice of Self-Recertification, filed in Docket No. QF98-55-002, stamped to indicate receipt by FERC, is included herewith as Exhibit ML-2 to Attachment C.

6. Under Section 8-403.1(e) of the Public Utilities Act, an electric utility is not obligated to enter into an agreement to purchase the output of a QSWEF where the QSWEF is owned by an entity primarily engaged in the business of producing or selling electricity or natural gas from non-QSWEF facilities. For purposes of that analysis, the Commission has found that an owner is an

entity that owns more than a fifty percent interest in the facility. Under that analysis, BMC is the owner of the Facility and ZAPCO is the owner of BMC. None of the entities with an ownership interest in ZAPCO owns more than forty percent interest. Accordingly, the only "owners" for purposes of this petition are ZAPCO and BMC. As shown in ML3 to Attachment C, both ZAPCO and BMC own generating facilities other than the Facility that is the subject of this Petition. However, in the case of both ZAPCO and BMC, significantly more than fifty percent of owned generating capacity installed at present, and anticipated to be installed in the future, is QSWEF capacity. Therefore, for purposes of the analysis that Commission Staff has presented in earlier proceedings under Section 8-403.1, neither ZAPCO nor BMC is primarily engaged in the business of producing or selling electricity or natural gas from non-QSWEF facilities.

7. The Facility will be operated by Illinois Electrical Generation Partners, L.P. ("IEGP"), a Delaware limited partnership. In its order dated October 8, 1997, in Docket Nos. 97-0073, 97-0074 and 97-0075 (consolidated) the Commission found that three generating facilities operated by IEGP qualified as QSWEF's. The ownership of IEGP has not changed since that order was issued. Accordingly, there are no ownership issues relating to the operator of the Facility that must be addressed in this proceeding.

8. The Facility is expected to commence operation during the second calendar quarter of the year 2000. Electricity generated at the Facility will be sold to the Commonwealth Edison Company.

9. BMC intends to voluntarily create a fund to reimburse the State of Illinois in connection with payments received pursuant to Section 8-403.1. Reimbursement will begin ten years after the beginning of commercial operation and will be completed no later than ten years after

reimbursement begins. All contributions to the fund account will come from revenues from electric sales and interest earned by the fund. The funds will be held by John Hancock Funds, Inc. in a discreet account. BMC will direct John Hancock to maintain the fund as an investment grade portfolio on a consolidated basis as defined by Moody's Investors Service and Standard & Poor's. Additional details with respect to the fund are included in Attachment D hereto, the Confidential Direct Testimony of Martin F. Laughlin.

10. In support of this Petition, BMC has attached hereto as Attachment C, the Direct Testimony, and as Attachment D, the Confidential Direct Testimony of Martin F. Laughlin, Vice President of BMC and Vice President of IEGP. A letter from the Illinois Environmental Protection Agency stating that it has received and approved a solid waste management plan for Grundy County in which the Facility will be located. That letter was entered into the record as Attachment D to the Petition in related Docket No. 98-0322 and was found by the Commission to be sufficient for a determination that the Facility qualified as a QSWEF. BMC requests that the Commission take administrative notice of that letter for purposes of this proceeding.

11. BMC believes that this Petition, the attachments hereto, and the material submitted to the Commission on a confidential basis in connection with this Petition, provide all the information necessary to enable the Commission to determine that the Facility will continue to be a QSWEF after it is acquired by BMC. Accordingly, BMC respectfully requests that the Commission grant this Petition expeditiously and without a hearing. Expeditious action by the Commission will permit BMC to avoid incurring those costs associated with participation in a hearing and to finalize the acquisition of the Facility as soon as possible.

12. BMC respectfully requests that this Commission:

(a) Issue an order determining that the above described electric generating facility fueled by landfill methane which will be located adjacent to the EnvironTech Landfill in Morris, IL will continue to be a Qualified Solid Waste Energy Facility pursuant to Section 8-403.1 after BMC assumes ownership of the Facility;

(b) Treat as confidential Attachment D hereto; and

(c) Take administrative notice of the FERC Notice of Self-Certification and the letters issued by the Illinois Environmental Protection Agency which were in the record before the Commission in Docket No. 98-0322.

WHEREFORE, BMC prays that this Commission issue an order determining that the above described electric generating facility fueled by landfill methane which will be located adjacent to the EnvironTech Landfill in Morris, IL will continue to be a qualified solid waste energy facility pursuant to Section 8-403.1 of the Illinois Public Utilities Act after BMC assumes ownership of the Facility. BMC prays that the Commission grant the relief requested in the foregoing petition expeditiously and without a hearing.

Respectfully submitted,

BMC ENERGY, LLC

By:



Martin F. Laughlin
Vice President
BMC Energy, LLC
Vice President
Illinois Electrical Generation Partners, L.P.

FREDDI L. GREENBERG
Attorney at Law
1603 Orrington Avenue
Suite 1050
Evanston, Illinois 60201
Telephone: (847) 864-4010
Facsimile: (847) 864-4037
Counsel for BMC Energy, LLC

STATE OF CT)
COUNTY OF Norfolk)

ss.


VERIFICATION

Martin F. Laughlin, being first duly sworn, upon oath deposes and says that he is Vice President of BMC Energy, LLC, the purchaser of an electric generation facility fueled by landfill methane and located adjacent to the EnvironTech Landfill in Morris, Illinois, and Vice President of Illinois Electrical Generation Partners, L.P., the prospective operator of the aforesaid generating facility, that he has read the foregoing Petition, and that the facts and matters set forth therein are true and correct to the best of his knowledge and belief.



MARTIN F. LAUGHLIN
Vice President
BMC Energy, LLC
Vice President
Illinois Electrical Generation Partners, L.P.
40 Tower Lane
Avon, Connecticut 06001
(860) 678-7537

Subscribed and sworn to before me
this 12 day of April, 2000.


Notary Public

MARY LOU KACHNOWSKI
NOTARY PUBLIC
MY COMMISSION EXPIRES NOV. 30, 2001

STATE OF CT)
COUNTY OF Norfolk)

ss.


VERIFICATION

Martin F. Laughlin, being first duly sworn, upon oath deposes and says that he is Vice President of BMC Energy, LLC, the purchaser of an electric generation facility fueled by landfill methane and located adjacent to the EnvironTech Landfill in Morris, Illinois, and Vice President of Illinois Electrical Generation Partners, L.P., the prospective operator of the aforesaid generating facility, that he has read the foregoing Petition, and that the facts and matters set forth therein are true and correct to the best of his knowledge and belief.



MARTIN F. LAUGHLIN
Vice President
BMC Energy, LLC
Vice President
Illinois Electrical Generation Partners, L.P.
40 Tower Lane
Avon, Connecticut 06001
(860) 678-7537

Subscribed and sworn to before me
this 12 day of April, 2000.


Notary Public

MARY LOU KACHNOWSKI
NOTARY PUBLIC
MY COMMISSION EXPIRES NOV. 30, 2001

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

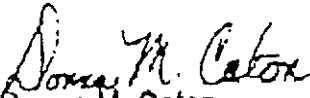
October 9, 1998

Re: 98-0322

Dear Sir/Madam:

Enclosed is a certified copy of the Order entered by this Commission.

Sincerely,


Donna M. Caton
Chief Clerk

Enc.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Morris Genco LLC

Petition for a determination that an electric
generating facility fueled by landfill
generated methane and located adjacent to
EnvironTech Landfill on Ashley Road in
Morris, IL is a qualified solid waste energy
facility as defined in Section 8-403.1 of the
Illinois Public Utilities Act.

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98-0322

ORDER

By the Commission:

On April 24, 1998, Morris Genco LLC ("Morris") filed a verified petition seeking an Illinois Commerce Commission ("Commission") determination that an electric generating facility fueled by landfill methane and located adjacent to the EnvironTech Landfill in Morris, Illinois is a solid waste energy facility as defined in Section 8-403.1 of the Public Utilities Act ("Act").

Pursuant to notice as required by law and the rules and regulations of the Commission, this matter came on for hearing before a duly authorized Hearing Examiner at the offices of the Commission in Chicago, Illinois, on July 9, 1998. Morris's Petition was supported by the testimony of Robert P. Mattis, senior vice president of DuPage Bio-Energy ("DBE"). The Staff of the Commission appeared through the Office of General Counsel. Mr. Mattis' testimony, and several supporting exhibits were admitted into evidence. The record was marked "Heard and Taken" at the conclusion of the July 9, 1998, hearing.

The evidence shows that Morris is a Delaware Limited liability company in which DBE and Yankee Energy Services Company ("YESCO") are each fifty percent (50%) shareholders. Morris is in the business of developing and operating an electric generating facility adjacent to the EnvironTech Landfill fueled by landfill methane. The Morris facility will have a capacity of approximately 4 megawatts ("MWs"). The facility is located in the service territory of the Commonwealth Edison Company. The Commission notes that DBE and YESCO also have petitioned for QSWEF status for a second landfill generation facility they jointly own through an entity named Countryside Genco LLC. That petition was designated as Docket 98-0165.

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Mr. Mattis is responsible for the development and construction of the generating facility and that it will be a qualifying facility under the Public Utility Regulatory Policies act of 1978 ("PURPA"). A notice of self-certification describing the facility was filed with the Federal Energy Regulatory Commission ("FERC") in connection with the facility, as provided in FERC's regulations (18 CFR Sec. 292.207). Copies of this filing were admitted in evidence.

The generating facility is estimated to be commercially operable by January 1, 1999. The facility will have a 20 year useful life. Morris would begin reimbursing the State for the tax credits provided to Commonwealth Edison for the utility's purchases under the contract that will result from this Order, by January 1, 2009 and be completed by January 1, 2019.

Subsection 8-403.1(b).

Section 8-403.1 of the Act provides that a qualified solid waste energy facility fueled by landfill methane is entitled to sell electricity to an electric utility at a rate equal to the average rate paid to the utility per kilowatt hour for electricity purchased by the unit of local government in which the qualified solid waste energy facility is located. Section 8-403.1 (b) defines a "qualified solid waste energy facility" as a facility which the Commission determines to qualify as a qualified solid waste energy facility under the Local Solid Waste Disposal Act, uses methane gas generated from landfill gas as its primary fuel, and possesses characteristics which would enable it to qualify as a co-generation or small power production facility under federal law.

The Local Solid Waste Disposal Act defines a qualified solid waste energy facility as either (a) "a solid waste pollution control facility" or (b) "a facility which uses methane generated from landfills." 415 ILCS, 1 01 et seq.

In satisfaction of 83 111. Admin. Code 445.30 (c), Morris submitted an IEPA letter regarding an approved waste energy plan for Grundy County. The letter was admitted into evidence at the July 9, 1998, hearing.

The record establishes that Petitioner meets the criteria set forth in Section 8403.1 (b),

Subsection 8-403.1(a).

The next step in the Commission's analysis is to determine whether the Commission is precluded from requiring the Commonwealth Edison Company to enter into a Section 8-403.1 contract with Petitioner's proposed facility.

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Subsection 8-403.1 (e) provides:

The Illinois Commerce Commission shall not require an electric utility to purchase electricity from any qualified solid waste energy facility which is owned or operated by an entity that is primarily engaged in the business of producing or selling electricity, gas, or useful thermal energy from a source other than one or more qualified solid waste energy-facilities.

The above provision requires the Commission to determine the identity of the owner(s) of the proposed facility, and whether the owner(s) is/are "primarily engaged" in generating energy from QSWEFs or from other energy producing sources.

The Commission has previously adopted a definition of "ownership" and a standard by which to measure "primarily engaged", as it is employed in 8-403.1 (e). Ownership is measured by a fifty percent (50%) standard. The standard is to be applied in the same manner set forth in 18 CFR 292.206 and as employed by the FERC in 18 CFR 131.80. (18 CFR 131.80 is FERC Form 556.) "Operation" of a facility is determined by the same measure.

In this case, the record shows that the facility is 100% owned by Morris Genco LLC. Morris is itself owned 50% by DBE and 50% by YESCO.

YESCO provides a full range of energy-related services, including consulting, fuel procurement management, co-generation development, and operating support and equipment installation for power plants and boilerhouses. YESCO is a wholly-owned subsidiary of Yankee Energy Systems, a holding company, located in Farmington, Connecticut. Other subsidiaries of Yankee Energy Systems are Yankee Gas Services Company, a retail gas distribution company, NorConn Properties, Inc., a real estate leasing company, Yankee Energy Financial Services Company, which provides energy equipment financing, and R. M. Services, which provides receivables management services.

DBE is a privately owned Illinois corporation engaged in the development of landfill gas-to-energy generation projects.

Neither YESCO nor DBE's shareholders are engaged in the generation or sale of electric power, or have any operating interest in any electric facilities other than PURPA Qualifying Facilities. YESCO and DBE are also co-owners of a second proposed electrical generation facility fueled by landfill methane gas. That facility is Countryside Genco, LLC, and is the subject of Docket 98-0165. Neither YESCO nor DBE's shareholders are engaged in the generation or sale of gas or useful thermal energy. One of DBE's shareholders will operate a company that markets electric energy. The shareholder will hold the position of President of New Energy Ventures Midwest, LLC. Mr. Mattis testified at the July 9, 1998, hearing that New Energy

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New Energy Ventures would seek qualification from this Commission as an Alternative Retail Electric Supplier ("ARES"), under the Public Utilities Act.

Because neither DBE nor YESCO own more than 50% of the Petitioning facility, the Commission need not engage in a determination of whether they are "primarily engaged in the business of producing or selling electricity, gas, or useful thermal from a source other than one or more qualified solid waste energy facilities." The Commission is not precluded from requiring the Commonwealth Edison Company from entering into a contract to purchase electricity from the Morris facility.

The fact that one of DBE's shareholders will operate an entity that is solely engaged in the business of selling electricity does not alter this conclusion. The shareholder has a less than 30 per cent interest in DBE. His overall ownership interest in the Petitioner Morris amounts to less than 15 per cent. This amount falls short of the 50 per cent ownership threshold that would preclude the Commission from requiring the utility to enter into the contract.

Reimbursement Issues.

Morris would begin reimbursing the State for the tax credits provided to Commonwealth Edison for the utility's purchases under the contract that will result from this Order, ten years after the beginning of commercial operations under the contract (anticipated to occur on January 1, 1999), and be completed no later than ten years after reimbursement begins (anticipated to occur by January 1, 2019). Morris would create a fund to meet these reimbursement obligations. Since Morris will voluntarily create this fund, the Commission need not consider whether it should direct that such a fund be instituted.

Reporting Requirements.

It is clear that Section 8-403.1 and 83 111. Admin. Code 445 provisions must be met and maintained throughout the term of the contract. Failure to do so results in the suspension of the right to collect the retail rate, 83 Ill. Admin. Code 445.50 (j). In order to aid the Commission in its efforts to ensure that Petitioner continues to properly maintain its QSWEF status, and its right to a retail sales contract, the Commission directs Petitioner to submit a bi-annual report to the Commission that details the development of all energy producing facilities owned or operated by Petitioner and/or its constituent owners, DBE and YESCO, as well as those owned or operated by DBE's shareholders and YESCO's affiliate companies. The purpose of the report is to provide the Commission with sufficient and timely information needed to effectively address enforcement issues that may arise.

1. the number of commercial facilities in commercial operation.
2. the number of facilities in development.

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3. the stage of development of each facility,
4. the location of all energy producing facilities in which Morris, YESCO, DBE, YESCO's affiliates and/or DBE's shareholders, separately or in some combination, have an ownership or operation interest.
5. a list of all entities having an equity interest in the facility, in order to determine ownership as defined by FERC's ownership test found in 18 CFR 292.206 (b).
6. the maximum gross power production capacity (PPC) of each reported facility in order to determine if Petitioner's, DBE's and YESCO's facilities qualify as being primarily engaged in the in the business of producing or selling electricity, gas, or useful thermal energy from a source other than one or more qualified solid waste energy facility.

The Commission also requires that Petitioner provide annual reports detailing the state of the reimbursement fund and Petitioner's progress toward paying off its capital costs or indebtedness incurred in developing the facilities, as well as the projected date that said costs or indebtedness will be satisfied in full. The purpose of the report is to facilitate the Commission's enforcement authority under Section 8-403.1 (d) of the Act. The Commission believes the report is an appropriate and necessary aid to the execution of the Commission's statutory authority to direct reimbursement of the Public Utility Fund.

The submission of these reports does not constitute or otherwise indicate approval by the Commission for any change indicated therein. To maintain its QSWEF status, the Petitioner must formally seek and receive Commission approval for matters covered by Section 8-403.1 and 83 Ill. Admin. Code 445.

COMMISSION FINDINGS AND ORDERING PARAGRAPHS

The Commission, having reviewed the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Morris Genco, LLC is a Delaware limited liability corporation which owns an electric generating facility adjacent to the EnvironTech Landfill in the State of Illinois fueled by landfill methane;
- (2) the Commission has jurisdiction over the parties and of the subject matter herein;
- (3) on April 24, 1998, Morris filed a verified petition requesting that the Commission determine that its landfill gas-fueled electric generating facility located adjacent to the EnvironTech Landfill is a qualified solid

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waste energy facilities pursuant to Section 8-403.1 of the Public Utilities Act;

- (4) the evidence indicates that the electric generating facility which will be configured to have a maximum gross generating capacity of up to 4 MWs, will be owned by Petitioner and will use methane gas generated from the landfill and possess characteristics which enables it to qualify as a small power production facility under PURPA;
- (5) under the facts set forth in Finding (4), the facility, as configured in the petition, will be a qualified solid waste energy facility pursuant to Section 8-403.1 (b) of the Act;
- (6) Morris Genco is primarily engaged in the business of producing electricity from QSWEFs;
- (7) the evidence indicates that the facility is owned 50% by DBE and 50% by YESCO;
- (8) under the facts set forth in Finding (7), the Commission is not precluded from requiring the Commonwealth Edison Company from entering into a contract to purchase electricity generated by Petitioner for a period of not less than 10 years;
- (9) Petitioner shall file the bi-annual reports regarding its energy producing facility and annual reports regarding reimbursements as set forth in the prefatory portions of this Order.

IT IS THEREFORE ORDERED that the electric generating facilities as configured with a maximum gross generating capacity of 4 MWs, which will be owned by Morris Genco LLC and fueled by landfill methane, and which will be located adjacent to the EnvironTech Landfill, is determined to be a qualified solid waste energy facility pursuant to Section 8-403.1 of the Public Utilities Act.

IT IS FURTHER ORDERED that the Commonwealth Edison Company shall enter into a contract to purchase energy this electric generating facility for a period beginning on the date the facility begins generating electric energy and continuing for at least ten years thereafter.

IT IS FURTHER ORDERED that Morris Genco LLC shall fully comply with Finding (9) of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.680, this Order is final; it is not subject to the Administrative Review Law.

98-0322

By Order of the Commission this 7th day of October, 1998.

(SIGNED) RICHARD L. MATHIAS

Chairman

(SEAL)

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

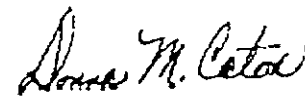
CERTIFICATE

Re: 98-0322

I, DONNA M. CATON, do hereby certify that I am Chief Clerk of the Illinois Commerce Commission of the State of Illinois and keeper of the records and seal of said Commission with respect to all matters except those governed by Chapters 18a and 18c of The Illinois Vehicle Code.

I further certify that the above and foregoing is a true, correct and complete copy of the Order made and entered of record by said Commission on October 7, 1998.

Given under my hand and seal of said Illinois Commerce Commission at Springfield, Illinois, on October 9, 1998.


Chief Clerk

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Petition of Morris Genco, LLC for a)	
determination that an electric)	
generating facility fueled by landfill-)	
generated methane and located adjacent)	
to the EnvironTech Landfill on Ashley)	No. <u>98-0322</u>
Road in Morris, IL is a Qualified Solid)	
Waste Energy Facility as defined in)	
Section 8-403.1 of the Illinois Public)	
Utilities Act)	

MOTION OF MORRIS GENCO, LLC
TO RESCIND ILLINOIS COMMERCE COMMISSION ORDER

Morris Genco, LLC ("Morris") hereby moves to rescind the Illinois Commerce Commission ("Commission") Order in Docket No. 98-0322 granting Morris' Petition for determination that an electric generating facility fueled by landfill methane ("Facility") and located adjacent to the EnvironTech Landfill is a Qualified Solid Waste Energy Facility ("QSWEF") as defined in Section 8-403.1 of the Illinois Public Utilities Act. Morris requests rescission be made effective upon Commission issuance of an Order finding that the Facility will continue to be a QSWEF after acquisition by BMC Energy, LLC, and upon notice to the Commission of the completion of the transfer of all rights and interests in the Facility to BMC Energy, LLC. In support of its Motion, Morris states as follows:

- (1) On April 22, 1998, Morris filed its Petition and supporting documents seeking a determination that an electric generating facility fueled by landfill methane and located adjacent to the EnvironTech Landfill in Morris, Illinois is a QSWEF as defined in Section 8-403.1 of the Illinois Public Utilities Act. Morris's Petition was assigned Docket No. 98-0322.

On October 7, 1998, The Commission entered its Order in Docket No. 98-0322, granting Morris's Petition.

(2) Morris is owned 50% each by Yankee Energy Services (YESCO) and DuPage Bio-Energy.

(3) On August 23, 1999, DuPage Bio-Energy and YESCO entered into an agreement pursuant to which DuPage Bio-Energy consented to the sale of the Facility as negotiated by YESCO, on its own behalf and in its capacity as agent for DuPage Bio-Energy. In furtherance of the DuPage Bio-Energy/YESCO agreement, DuPage Bio-Energy irrevocably appointed Mr. Charles E. Gooley, as YESCO's designee, as its agent and attorney in fact to take all actions necessary to effectuate an approved sale.

(4) On September 17, 1999, YESCO entered into an Acquisition Agreement with BMC Energy, LLC ("BMC") for the sale to BMC of certain limited liability company interests, including all rights and interests in the Facility. The anticipated closing date of that transaction will be during the second quarter of the year 2000. Within 5 days after the closing, YESCO will notify Commission of the actual closing date.

(5) On the date hereof, BMC has filed its Petition and supporting documents seeking a determination that the Facility will continue to be a QSWEF as defined in Section 8-403.1 of the Illinois Public Utilities Act after BMC has acquired the Facility.

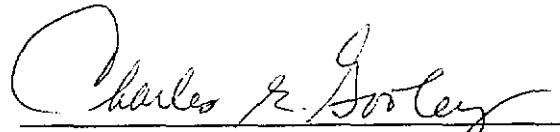
(6) Accordingly, Morris moves that the Commission rescind the Order entered in Docket No. 98-0322, effective upon Commission issuance of an Order finding that the Facility will continue to be a QSWEF after acquisition by BMC, and upon notice to the Commission of the completion of the transfer of all rights and interest in the Facility by BMC.

WHEREFORE, Morris prays that this Commission rescind its Order entered in Docket No. 98-0322, effective upon the Commission's determination that Facility will continue to be a QSWEF as defined in Section 8-403.1 of the Illinois Public Utilities Act after acquisition by BMC Energy, LLC, and upon notice to the Commission of the completion of the transfer of all rights and interest in the Facility by BMC Energy, LLC. Morris further prays that the Commission grant the relief requested in the foregoing motion expeditiously and without a hearing.

Respectfully submitted,

Morris Genco, LLC

By:

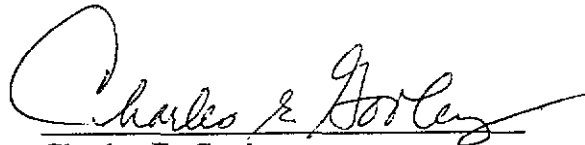


Yankee Energy Services Company,
Managing Member of Morris Genco, LLC
Charles E. Gooley
President and Chief Executive Officer
Yankee Energy Services Company
599 Research Parkway
Meriden, CT 06450
203-639-4197

STATE OF Connecticut)
)
COUNTY OF New Haven) ss. Meriden


VERIFICATION

Charles E. Gooley, being first duly sworn, upon oath deposes and says that he is President and Chief Executive Officer of Yankee Energy Services Company, the Managing Member of Morris Genco, LLC, the owner of an electric generation facility fueled by landfill methane gas to be located adjacent to the EnvironTech Landfill in Morris, Illinois, that he has read the foregoing Motion, and that the facts and matters set forth therein are true and correct to the best of his knowledge and belief.



Charles E. Gooley
President and Chief Executive Officer
Yankee Energy Service Company
Managing Member of Morris Genco,
LLC
599 Research Parkway
Meriden, Connecticut 06450
203-639-4197

Subscribed and sworn before me
this 18 day of April, 2000.


Notary Public

Nicholas A. Rinaldi
Notary Public (CT #54721)
My Commission Expires
December 31, 2003

DIRECT TESTIMONY OF

MARTIN F. LAUGHLIN

**VICE PRESIDENT OF BMC ENERGY, LLC
VICE PRESIDENT OF
ILLINOIS ELECTRICAL GENERATION PARTNERS, L.P.**

Petition of BMC Energy, LLC for a determination that an electric generating facility fueled by landfill methane and adjacent to the EnvironTech Landfill on Ashley Road in Morris, IL is a Qualified Solid Waste Energy Facility as defined in Section 8-403.1 of the Illinois Public Utilities Act

Docket No. _____

1. Q. Please state your name and business address.
A. My name is Martin F. Laughlin. My business address is 40 Tower Lane, Avon, Connecticut 06001.
2. Q. By whom are you employed and in what position?
A. I am Vice President of BMC Energy, LLC ("BMC"), a Delaware limited liability company, and Vice President of Illinois Electrical Generation Partners, L.P. ("IEGP"), a Delaware limited partnership.
3. Q. What are your responsibilities as Vice President of BMC and IEGP?
A. I am responsible for the overall administration of both BMC and IEGP. I am familiar with the plans for developing and operating an electric generating facility fueled by landfill gas ("Facility") and located in Morris, Illinois adjacent to the EnvironTech Landfill on Ashley Road. In Docket No. 98-0322 the Commission determined that the Facility was a Qualified Solid Waste Energy Facility ("QSWEF") under Section 8-403.1 of the Illinois Public Utilities Act ("Section 8-403.1") BMC does not anticipate any changes in the characteristics of the Facility as described in the record in Docket No. 98-0322, other than an increase in capacity as described below. BMC will become the owner of the Facility and IEGP will be the operator.
4. Q. What is the purpose of your testimony?
A. The purpose of my testimony is to support BMC's Petition for a determination that

the Facility will continue to be a QSWEF after BMC's acquisition of the Facility. The Facility was the subject matter of Docket No. 98-0322. Morris Genco, LLC ("Morris Genco") petitioned the Commission for a determination that the Facility was a QSWEF under Section 8-403.1. An Order was entered on October 7, 1998, granting the Morris Genco Petition. BMC is in the process of acquiring all rights and interests in the Facility from Morris Genco. The anticipated closing date will be during the second quarter of the year 2000. BMC seeks a determination that the Facility continue as a QSWEF as defined in Section 8-403.1 subsequent to its acquisition by BMC. I am aware that on the same date on which BMC's Petition was filed, Morris Genco filed its Petition in Docket No. 98-0322 to rescind the Commission Order of October 7, 1998 granting the Facility QSWEF status, effective upon BMC's completion of the acquisition, provided that the Commission has determined that the Facility will continue to be a QSWEF under BMC's ownership.

5. Q. Would you please describe the Facility?

A. The small power production facility to be located adjacent to the EnvironTech Landfill will consist of gas-fired reciprocating engine-generator sets. The Facility will be fueled by landfill methane, a by-product of the decomposition of waste within the landfill. Natural gas usage is not anticipated at this time. However, any natural gas usage in the future will be limited to the extent permitted under the Public Utility Regulatory Policies Act of 1978 ("PURPA") and under Section 8-403.1. The Facility is currently under development and is expected to commence commercial operation

during the second calendar quarter of the year 2000. The initial gross electric generating capacity of the Facility will be 4,000 kilowatts ("KW"), with an anticipated increase to 6,000 KW.

6. Q. Were any regulatory filings made with the Federal Energy Regulatory Commission ("FERC") in connection with the generating Facility to be located at the EnvironTech Landfill?

A. Yes, a Notice of Self-Certification of the Facility was filed with FERC by Morris Genco pursuant to 18 C.F.R. 292.207. The filing notified FERC that the proposed Facility will be a qualifying small power production facility under PURPA. The Notice was assigned to Docket No. QF98-55-000 and was filed in Illinois Commerce Commission Docket No. 98-0322 by Morris Genco. BMC has requested that the Commission take administrative notice of that FERC filing. A Notice of Self-Recertification was filed with FERC by BMC in Docket No. QF98-55-001 and was stamped filed by FERC on March 16, 2000. The self-recertification reflected the anticipated change in ownership of the Facility and the anticipated increase in the Facility's capacity. To reflect a planned change in the operator of the Facility, a second Notice of Self-Recertification was filed by BMC in Docket No. QF 98-55-002 on April 13, 2000. Copies of the Notices BMC filed at FERC are contained in Ex. ML-1 and ML-2 to Attachment C.

7. Q. Would you please describe BMC and its affiliates?

A. BMC is in the business of developing, owning and operating landfill gas collection and generating facilities. BMC is a limited liability company organized under the laws of the State of Delaware. Zahren Alternative Power Corporation ("ZAPCO"), a Delaware corporation, owns one hundred percent (100%) of BMC. ZAPCO is a multi-stockholder company; no stockholder owns more than 40% of the outstanding shares of ZAPCO and no stockholder is a utility company.

8. Q. Will BMC operate the Facility?

A. No. IEGP will operate the Facility. IEGP is owned fifty percent (50%) by Resources Generating Systems, Inc., a New York corporation, and fifty percent (50%) by AJG Financial Services, Inc., a Delaware corporation. Resources Generating Systems, Inc. is a wholly-owned subsidiary of ZAPCO. AJG Financial Services, Inc. is a wholly-owned subsidiary of Arthur J. Gallagher & Company, a Delaware corporation. Neither Arthur J. Gallagher & Company nor any of its affiliates owns an interest in any electric generating facilities other than those that have been determined by the Illinois Commerce Commission to be QSWEFs. Resources Generating Systems, Inc. is the general partner of IEGP. The board of directors of Resources Generating Systems, Inc. is controlled jointly by ZAPCO and Arthur J. Gallagher & Company. In its Order of October 8, 1997 in Docket Nos. 97-0073, 97-0074, and 97-0075 (consolidated), the Commission found that three generating facilities operated by IEGP would qualify as QSWEFs. The ownership of IEGP at

the present time is the same as described in the record in those consolidated Dockets.

9. Q. Please discuss the generating capacity owned by BMC.

A. In addition to the Facility, BMC will acquire the Countryside QSWF in Grayslake, Illinois which is the subject of Docket No. 98-0165. BMC also will acquire a landfill gas fueled small power production facility that is a Qualifying Facility under PURPA and is located in Brookhaven, New York. The initial capacity of the Facility is 4,000 KW with anticipated expansion to 6,000 KW gross capacity. The initial capacity of the Countryside facility is 8,000 KW with anticipated expansion to 12,000 KW gross capacity. The capacity of the Brookhaven facility is 2,500 KW. Accordingly, more than seventy-five percent of BMC's anticipated generating capacity will consist of QSWF capacity.

10. Q. Please discuss ZAPCO's QSWF generating capacity as compared with its non-QSWF generating capacity.

A. ZAPCO has ownership interest in eight facilities in Illinois determined by the Commission to be QSWFs and in qualifying facilities under PURPA which are fueled by landfill gas and located in other states. The gross generating capacities of QSWFs in which ZAPCO has an interest is set forth in Exhibit ML-3 to Attachment C. The pending acquisitions in which BMC will have an interest are shown in Exhibit ML-3 under "Pending Acquisitions." As shown in Exhibit ML-3, prior to completion of the pending acquisitions, 58% of ZAPCO's generating capacity

consists of QSWEFs. After completion of the pending acquisitions, this percentage will increase to 64.5%; and, after expansion, the percentage of QSWEF capacity will increase to 76.8%.

11. Q. Does BMC intend to voluntarily create a fund to reimburse the State of Illinois, pursuant to Section 8-403.1?

A. Yes. BMC intends to voluntarily create a reimbursement fund with reimbursement to begin ten years after the beginning of commercial operations and to be completed no later than ten years after reimbursement begins. All monies in the fund account will come from revenues from electric sales and interest earned by the fund. The fund account will be established with a major financial institution which will manage the investments with the goal of yielding the level of earnings needed to repay the loan in full.

12. Q. Please explain how contributions will be made to the reimbursement fund.

A. Amounts payable to BMC for electricity sold to the utility each month will be paid by wire-transfer or check by the utility to BMC's lender. The lender will retain the amount due under the project's loan for the month, will pay project expenses, and will make the necessary monthly contribution to the reimbursement fund before remitting the balance to BMC. BMC will annually review the fund to determine its adequacy to cover the present value of the reimbursement obligation, using actual production data and actuarially sound assumptions. If this analysis results in a

shortfall, BMC intends to make up the shortfall by the date of the next annual report.

13. Q. Does BMC intend to file reports and make payments to the Municipal Economic Development Fund as required by Section 8-403.1?

A. Yes.

14. Q. Please describe the other reports that BMC proposes to make to the Commission?

A. As discussed above, BMC will file annual reports with the Commission setting out the status of the reimbursement fund. BMC also will notify the Commission of changes in the ownership of the Facility or of BMC.

15. Q. Were any letters obtained from the Illinois Environmental Protection Agency in connection with the Facility that is the subject of this proceeding?

A. Yes. The owner of the Facility, Morris Genco, submitted a letter from the Illinois Environmental Protection Agency regarding an approved waste energy plan for Grundy County where the Facility will be located as Attachment D in Docket No. 98-0322. BMC has requested that the Commission take administrative notice of Attachment D in Docket No. 98-0322.

16. Q. Mr. Laughlin, does that complete your testimony?

A. My further testimony has been submitted on a confidential basis.

STATE OF Connecticut

COUNTY OF Hartford

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) ss. Avon, CT

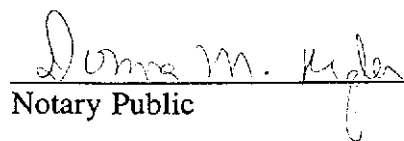
AFFIDAVIT

Martin F. Laughlin, being duly sworn, deposes and says that the statements contained in the foregoing direct testimony and exhibits are true and correct to the best of his knowledge, information and belief, and that such prepared direct testimony constitutes his sworn testimony in this proceeding.



Martin F. Laughlin
Vice President
BMC Energy, LLC
Vice President
Illinois Electrical Generation Partners, L.P.
40 Tower Lane
Avon, Connecticut 06001
(860) 678-7537

Subscribed and sworn before me
this 10th day of April, 2000.



Notary Public

DONNA M. RYDER
NOTARY PUBLIC
MY COMMISSION EXPIRES MAY 31, 2001

FERC FORM 556

SELF-RECERTIFICATION

SMALL POWER PRODUCTION FACILITY

Docket No. QF98-55-001

FILED
OFFICE OF THE SECRETARY

00 MAR 16 PM 2:35

FEDERAL ENERGY
REGULATORY COMMISSION

1a. Full Name of Applicant: BMC Energy, LLC

Purpose of Filing: Self-Recertification to reflect change in ownership and anticipated increase in capacity.

Docket number of immediately preceding submittal filed with the commission in connection with the instant facility: QF98-55-000.

1b. Full address of applicant:

BMC Energy, LLC
c/o Zahren Alternative Power Corporation
40 Tower Lane
Avon, CT 06001

1c. The owner of the Facility will be BMC Energy, LLC, a limited liability corporation organized under the laws of the State of Delaware. BMC Energy LLC is in the process of acquiring the Facility and will notify the Federal Energy Regulatory Commission within two weeks from the date of closing that the acquisition has been completed. The anticipated closing date will be during the second quarter of the year 2000. The sole and managing member of BMC Energy, LLC is Zahren Alternative Power Corporation, a Delaware corporation. Neither BMC Energy, LLC nor Zahren Alternative Power Corporation, nor any entity with an ownership interest in Zahren Alternative Power Corporation is engaged in the generation or sale of electric power or has any ownership or operating interest in any electric facilities other than qualifying facilities. The proposed facility will be operated by Zapco Energy Tactics Corporation, a Delaware corporation and wholly-owned subsidiary of Zahren Alternative Power Corporation.

1d. Authorized signature: 

Martin F. Laughlin
Executive Vice President
Zahren Alternative Power Corporation

2. Communications regarding the filed information may be addressed to:

Martin F. Laughlin
Executive Vice President
Zahren Alternative Power Corporation
40 Tower Lane
Avon, CT 06001
(860) 678-7537

- 3a. The facility will be located at:

EnvironTech Landfill
State: Illinois
County: Grundy
City or Town: Morris
Street Address: 1800 Ashley Road
Morris, IL 60450

- 3b. It is anticipated that the facility will sell its useful electric power output to, and purchase backup power and maintenance power from, Commonwealth Edison Company
- 4a. Initially, the principal components of the facility will be three engine and generator sets. Additional engine and generator sets may be added in the future. The facility also will include a transformer, circuit-breakers and related equipment as required by the purchasing utility.
- 4b. The initial gross electric power production capacity of the facility will be approximately 4,000 kilowatts, with an anticipated net power production capacity of approximately 3,800 kilowatts. The maximum gross power production capacity is anticipated to be 6,000 kilowatts, with a net capacity of approximately 5,700 kilowatts. The net power production capacity was derived by subtracting the facility's expected station use from the facility's anticipated gross power production capacity.
- 4c. It is anticipated that installation will be completed and the facility will commence operation during the first quarter of 2000.
- 4d. The primary energy input will be landfill gas, a by-product of the decomposition of waste within the landfill.
5. It is not anticipated that the facility will consume fossil fuel. However, if fossil fuel is consumed at a future date, such consumption will be limited to the quantities and purposes permitted under the Public Utility Regulatory Policies Act of 1978 and the Commission's regulations thereunder.
6. Not applicable.
7. It is not anticipated that the facility will consume fossil fuel.

8. Not applicable.

9-14. Not applicable.

FERC FORM 556

SELF-RECERTIFICATION

SMALL POWER PRODUCTION FACILITY

Docket No. QF98-55-002

FILED
OFFICE OF THE SECRETARY
00 APR 19 AM 11:04
FEDERAL ENERGY
REGULATORY COMMISSION

1a. Full Name of Applicant: BMC Energy, LLC

Purpose of Filing: Self-Recertification to reflect change in operator.

Docket number of immediately preceding submittal filed with the commission in connection with the instant facility: QF98-55-001.

1b. Full address of applicant:


BMC Energy, LLC
c/o Zahren Alternative Power Corporation
40 Tower Lane
Avon, CT 06001

1c. The owner of the Facility will be BMC Energy, LLC, a limited liability corporation organized under the laws of the State of Delaware. BMC Energy LLC is in the process of acquiring the Facility and will notify the Federal Energy Regulatory Commission within two weeks from the date of closing that the acquisition has been completed. The anticipated closing date will be during the second quarter of the year 2000. The sole and managing member of BMC Energy, LLC is Zahren Alternative Power Corporation, a Delaware corporation. Neither BMC Energy, LLC nor Zahren Alternative Power Corporation, nor any entity with an ownership interest in Zahren Alternative Power Corporation is engaged in the generation or sale of electric power or has any ownership or operating interest in any electric facilities other than qualifying facilities.

The proposed facility will be operated by Illinois Electrical Generation Partners, L.P., a Delaware limited partnership. Illinois Electrical Generation Partners, L.P. is owned 50% by Resources Generating Systems, Inc. and 50% by AJG Financial Services, Inc., a Delaware corporation which is a wholly-owned subsidiary of Arthur J. Gallagher & Co., a Delaware corporation ("Gallagher"). Resources Generating Systems, Inc., a N.Y. corporation, is a

wholly-owned subsidiary of Zahren Alternative Power Corporation. Neither the parent nor subsidiaries engages in, or has any ownership or operating interest in, any electrical facilities other than qualifying facilities.

1d. Authorized signature: _____


Martin F. Laughlin
Vice President BMC Energy, LLC
Vice President Illinois Electrical Generating Partners

2. Communications regarding the filed information may be addressed to:

Martin F. Laughlin
Executive Vice President
Zahren Alternative Power Corporation
40 Tower Lane
Avon, CT 06001
(860) 678-7537

3a. The facility will be located at:

EnvironTech Landfill
State: Illinois
County: Grundy
City or Town: Morris
Street Address: 1800 Ashley Road
Morris, IL 60450

3b. It is anticipated that the facility will sell its useful electric power output to, and purchase backup power and maintenance power from, Commonwealth Edison Company

4a. Initially, the principal components of the facility will be three engine and generator sets. Additional engine and generator sets may be added in the future. The facility also will include a transformer, circuit-breakers and related equipment as required by the purchasing utility.

4b. The initial gross electric power production capacity of the facility will be approximately 4,000 kilowatts, with an anticipated net power production capacity of approximately 3,800 kilowatts. The maximum gross power production capacity is anticipated to be 6,000 kilowatts, with a net capacity of approximately 5,700 kilowatts. The net power production capacity was derived by subtracting the facility's expected station use from the facility's anticipated gross power production capacity.

4c. It is anticipated that installation will be completed and the facility will commence operation during the first quarter of 2000.

- 4d. The primary energy input will be landfill gas, a by-product of the decomposition of waste within the landfill.
- 5. It is not anticipated that the facility will consume fossil fuel. However, if fossil fuel is consumed at a future date, such consumption will be limited to the quantities and purposes permitted under the Public Utility Regulatory Policies Act of 1978 and the Commission's regulations thereunder.
- 6. Not applicable.
- 7. It is not anticipated that the facility will consume fossil fuel.
- 8. Not applicable.
- 9-14. Not applicable.

**ZAPCO INTERESTS IN QUALIFYING FACILITIES
FUELED BY LANDFILL GAS
INSTALLED CAPACITY
January 2000**

Existing Projects:

Project	Location (State)	Installed Capacity (kW)	Expansion Capacity	Total Capacity (after expansion)
122 nd Street	Illinois	2,961	1,039	4,000
Amity	Pennsylvania	1,950		1,950
Barre	Massachusetts	900		900
Brickyard	Illinois	2,961	4,039	7,000
Burlington	Vermont	700		700
Dixon	Illinois	3,948	4,052	8,000
Dolton	Illinois	3,750	3,450	7,200
Hamms	New Jersey	1,200		1,200
Manchester	New Hampshire	650		650
Oceanside	New York	2,400		2,400
Onondaga	New York	1,200		1,200
Oyster Bay	New York	1,200		1,200
Readville	Massachusetts	2,400		2,400
Smithtown	New York	1,200		1,200
SPSA	Virginia	3,200		3,200
Streator	Illinois	1,974	2,026	4,000
Upper Rock	Illinois	2,961	3,039	6,000
Willow Ranch	Illinois	987	1,013	2,000
Roxanna	Illinois	3,948	4,052	8,000
TOTALS		<u>40,490</u>	<u>22,710</u>	<u>63,200</u>

Pending Acquisitions:

Yesco Morris	Illinois	4,000	2,000	6,000
Yesco Countryside	Illinois	8,000	4,000	12,000
Yesco Brookhaven	New York	2,500		2,500
TOTALS		<u>14,500</u>	<u>6,000</u>	<u>20,500</u>

COMBINED TOTALS	<u>54,990</u>	<u>28,710</u>	<u>83,700</u>
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Geographic Breakdown:

State	Before Acquisitions		After Acquisitions		After Expansions	
	Capacity (kW)	% of Total	Capacity (kW)	% of Total	Capacity (kW)	% of Total
Illinois	23,490	58.0%	35,490	64.5%	64,200	76.8%
New York	6,000	14.8%	8,500	15.5%	8,500	10.1%
Other	<u>11,000</u>	<u>27.2%</u>	<u>11,000</u>	<u>20.0%</u>	<u>11,000</u>	<u>13.1%</u>
	<u>40,490</u>	<u>100%</u>	<u>54,990</u>	<u>100%</u>	<u>83,700</u>	<u>100%</u>